GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:361
ANSWERED ON:14.12.2001
DECLINE IN SAVINGS AND CAPITAL FORMATION
RAMJI MANJHI

Will the Minister of FINANCE be pleased to state:

(a) whether there is decline in savings and capital formation during the last several years;

(b) if so, the reasons thereof;

(c) the manner in which it has affected the investment; and

(d) the steps the Government have taken or propose to take to increase the savings?

Answer

FINANCE MINISTER (SHRI YASHWANT SINHA)

(a), (b), (c) & (d): A Statement is laid on the Table of House

Statement referred to in the Lok Sabha Starred Question No.361 (Position No.1) regarding Decline in Savings and Capital Formatior by Shri Ramjee Manjhi, for answer on 14th December 2001.

(a), (b), (c) & (d): The latest figures on savings and investment as per Central Statistical Organisation are available upto 1999-2000. Aggregate Saving rate measured in terms of gross domestic savings as a proportion of gross domestic product (GDP) at current market prices was 23.5 per cent in 1997-98, 22.0 per cent in 1998-99 and 22.3 per cent in 1999-2000. The fall in savings rate during this period is attributed to fall in the saving rate in the public sector and the private corporate sector while the household sector savings have gone up. Similarly, aggregate investment rate measured in terms of gross domestic capital formation as a proportion of GDP at current market prices was 25.0 in 1997-98, 23.0 per cent in 1998-99 and 23.3 per cent in 1999-2000. The fall in aggregate investment rate during this period is mainly attributed to a fall in the rate of gross domestic capital formation in the private corporate sector. The trends in the economy are under constant review and appropriate measures undertaken as and when necessary keeping in view the macroeconomic considerations and broad policy objectives. For increasing savings and investment rate in the economy it is imperative to improve the parameters which have a bearing on savings and investment behaviour. These include level of fiscal deficit, tax policy, monetary policy, inflation, and efficiency of the banking system and the capital market and confidence in the economy.